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SUBJECT: WHY DID GUTIERREZ FALL?

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1. (C) Summary: Early analyses of the overthrow of Gutierrez in Ecuador in the U.S. press and elsewhere have relied on facile, but erroneous comparisons between Ecuador and Venezuela or Bolivia. In most, either Gutierrez or Palacio is Ecuador's Chavez. In fact, little can be understood about what has happened in Ecuador via such comparisons. Gutierrez' fall was the result of a complex interplay of interests and actions, but the crucial factors were: Gutierrez' and his government's own repeated, foolish, tactical errors, plotting by traditional political elites, especially Leon Febres Cordero's Social Christians and the Democratic Left, to bring down the outsider and take back control of the government, and, finally, the frustration of Quito's middle class with the misdeeds of the political elite combined with their fear of the "great unwashed" from the coast. In fact, the fall of Gutierrez is simply the dramatic peak of the established Ecuadorian political cycle which has come to consist of elections every four years and the overthrow of the elected president at the mid-term. End Summary.

2. (U) We have reported on a day-to-day basis over the past six months the ongoing political crisis in Ecuador. Although political crisis is, for all practical purposes, a constant in this country, and although this crisis is by no means over, the removal of Gutierrez and installation of a new president on April 20 ended the latest in Ecuador's sad series of political cycles. It offers an opportunity to reflect on a political process which is most certainly broken. We hope to offer some lessons for attempting to build democracy in Ecuador and the region.

3. (C) Ecuador is the banana republic of banana republics. Six of the fourteen Latin American governments which have not finished their terms since 1989 were in Ecuador. Each of the last three democratically elected presidents of Ecuador has been deposed, and each ex-president has been forced into exile by the prospect of questionable criminal proceedings against him. President Palacio is the tenth president of Ecuador since 1996 (counting a presidential triumvirate which lasted three hours, and another president who lasted a day).

Who Lost Ecuador?

4. (C) With the support of a spectacularly favorable external economic climate, responsible economic management, and strong support from the USG for democratic stability, Gutierrez just scraped by three significant attempts to bring down his government in its first two years. Finally, Gutierrez succumbed after two years and three months, mostly to his own mistakes. Following is an initial attempt to look at who was responsible for the fall of Gutierrez and who has gained and lost from the process.

The Outlaws (Los Forajidos)

5. (C) The final days of the Gutierrez government saw the formation of a "new" political force in Quito. The forajidos, or outlaws, taking on as a badge of honor an epithet spat at protestors by Gutierrez, were actually made up principally of middle and upper-middle class Quito residents disgusted by the corruption and petty political infighting of the entire political class and fearful of the prospect of another Bucaram presidency. The ranks of the forajidos were filled out by radical university students and troublemakers, many connected to the Popular Democratic Movement (MPD), the quasi-communist party. Los forajidos first came together in response to a call to action launched by Radio La Luna the night of Friday, April 16 after Gutierrez' announcement of a state of emergency in Quito. Ultimately, it was the radical protesters who intimidated the military to withdraw its support from Gutierrez, to prevent bloodshed. The government is more willing to credit its creation to the more moderate forajidos, and seeks to placate them before they turn out again. The forajidos call, "Todos fuera" or "everyone out," now emblazoned on bumper stickers around the city, represents a continuing challenge to a political establishment which has completely lost credibility before a large portion of the population.

Old Politicos

16. (C) The big parties, the Democratic Left (ID) and Social Christians (PSC), in many ways precipitated the crisis and benefited from it, but it is not clear how long-lasting the benefits will be. Led by former President Leon Febres-Cordero (LFC), the PSC flirted with Gutierrez in the first half of 2004, but actively sought his overthrow both before their short-lived collaboration, and, with more vehemence, since mid-2004. The ID under ex-president Rodrigo Borja has been gunning for Gutierrez since the first day of his government. Though the parties are ideologically, geographically (PSC=coast, ID=sierra), and personally opposed to one another, they increasingly worked together against Gutierrez over the past months. Their congressional blocks formed the core of the majority that removed Gutierrez on April 20.

17. (C) That said, the PSC had little to do with the protests which actually brought Congress to the point of removing the President, and the ID played only a limited role. Nonetheless, it is increasingly clear that the two parties had reached agreement with Palacio before he was placed in the Presidency. It seems unlikely that these traditional opponents will be able to work together now that their common enemy is gone, and the prospect for tearing the new government asunder is real. The ID and PSC are clear winners from the fall of Gutierrez.

The Indigenous

18. (C) The indigenous supported Gutierrez' presidential campaign in 2000, but left his government after only six months when Gutierrez did not implement the left-leaning platform he had run upon. Gutierrez' political team was consistently at the top of its game in dealing with the indigenous. They split the Evangelical indigenous movement from the Catholics and the sierra indigenous from the lowlanders of both jungle and coast. The indigenous political party, Pachakutik, found no better option by mid-2004 than joining with its long-time enemies, the Social Christians and the Democratic Left, in a coalition of opposition. The Catholic sierra indigenous, a key force behind the destitution of Mahuad in 2000, were practically impotent and mostly invisible in the run-up to Gutierrez's overthrow. The Evangelical and coastal indigenous participated in protests, but in support of the Gutierrez government. Similarity between the overthrow of Goni in Bolivia and that of Gutierrez is almost nonexistent. Ecuador's indigenous people have lost every major political conflict since they were conquered by the Incas some 500 years ago. However, they may have made some short-term gains this time. The indigenous were the first to call for Gutierrez' ouster, and they will regain some of the institutional benefits Gutierrez took from them over the past two years. They also hope to kill the FTA, and have much better prospects for that with the Palacio government.

Bananas and Nuts

19. (C) Ecuador's two mid-sized populist political parties played an important role in bringing the Gutierrez government to the brink, and then giving it a little nudge. The PRE, as always, has had only one goal throughout the period, bringing back Abdala Bucaram, the self-proclaimed "crazy" former president of Ecuador, who, it seems, would like nothing more than another cameo role as president-for-a-day. Bucaram's return was a fateful mistake by Gutierrez, and lit up the opposition. With Bucaram's disappearance and almost certain re-exile on April 21, the PRE has gained nothing and probably lost credibility once again. PRIAN, the personal property of banana magnate and serial presidential candidate Alvaro Noboa, may win the award for least consistent position. From opponent of the government in the fall, it switched to supporting the government and helped with the naming of a new Supreme Court in December, 2004 which everyone knew the PRE intended to use to bring Bucaram, Noboa's nemesis, back from exile. Only when Bucaram actually arrived did the PRIAN finally react, pulling out of the coalition. PRIAN has looked silly, uncertain, and used, throughout the process. Now it wants early elections, and is desperate to prevent its opponents from regaining control of the electoral tribunal.

The Businessmen

110. (C) The business community of Quito, closely tied to the PSC, took an active and early role, with the President of the Chamber of Commerce of Quito declaring Gutierrez a dictator as early as December and making repeated calls in the last days of the government, for his resignation or ouster. Two different, but compatible, concerns motivated the Quito business class. First, the leadership of the Quito Chamber

of Commerce was closely and personally tied to the PSC and LFC, specifically. Second, the business class of Quito feared the class politics which Bucaram brought back to Ecuador with his return. Many of them cannot tolerate the idea of another Bucaram presidential term, yet they fear that the charismatic Bucaram can win again. Ultimately, however, the business community is likely to be the big loser as the new government appears less likely to conclude a FTA, resolve commercial disputes, or maintain responsible economic policies.

The Press (and, more to the point, the radio)

¶11. (U) Always irresponsible, both the print press and television were totally overshadowed by a tiny player which has now taken center stage in Ecuador - Radio La Luna. For background on Radio La Luna, see Quito 875.

The Military

¶12. (C) "Mixed" best describes Gutierrez, relations with Ecuador's military leadership. Many saw in him a comrade-in-arms, champion pentathlete and first-in-class student. Others saw a mutineer who led a 2000 coup that toppled an elected president and irrevocably damaged the armed forces, standing with the Ecuadorian populace. Practically his first move upon taking office in 2003 was to purge the military of those general officers who opposed the coup and/or sanctioned him afterward.

¶13. (C) Former military pepper the ranks of Gutierrez, s Patriotic Society Party (PSP), and he turned to many to fill spots in the administration, regardless of their qualifications (or lack there of). The president also placed key GoE entities like Customs under direct military control, both to placate them and because he trusted and was comfortable with that leadership style. Gutierrez invested time, effort, and money in cultivating the armed forces, and we don't consider them the chief element in his downfall. It was, however, Joint Forces Chief Admiral Victor Rosero, s early-afternoon "withdrawal of military support" for President Gutierrez that precipitated his April 21 abandonment of the presidential palace. By doing so, Rosero returned the military to its traditional role as governmental arbiter, weakening its credibility.

The Interloper

¶14. (C) Gutierrez beat all the traditional political parties in taking the Presidency in 2002. Clearly the indigenous and other traditionally unrepresented classes voted for change in voting for Gutierrez. Most thought they were voting for a shift to the left, and Gutierrez' rhetoric was distinctly Chavez-like during the campaign. Lower classes were disillusioned with Gutierrez soon after his election when he opted to maintain a responsible (if not really tight) fiscal policy, negotiate an agreement with the IMF, and then a FTA with the U.S. Traditional political parties, both the old parties and the populists, have detested Gutierrez as an interloper ever since his election, though most have worked with him on different political conspiracies against each other at one time or another during his presidency.

¶15. (C) For his part, Gutierrez surrounded himself with a varied assortment of advisors and listened to all of them in turn, resulting in wild swings in policy and political strategy, some inspired and others simply stupid. On numerous occasions over the past six months it has seemed as though Gutierrez had finally ensured his survival through the end of his term. Each time, he reacted to his success by overreaching, and each time he ended up stumbling, creating a new crisis. Responsible fiscal policy, a mini-boom in oil production, and high oil prices kept the government's books balanced and the population out of the streets, and is one of the key reasons the Gutierrez government lasted as long as it did. His counter-offensive against Febres Cordero's sinecures in the justice system was a constitutional breach which sowed the seeds of Gutierrez' destruction, four months later, when an illegitimate court permitted the return of Bucaram. Gutierrez' last-ditch state of emergency was the nail in the coffin, energizing the protest movement.

Setting the Stage

¶16. (C) The "revolution of the forajidos," as some are calling it, was the last stage in a long downward spiral of Ecuadorian politics beginning with a failed impeachment attempt against Gutierrez by the PSC in November, 2004. In breaking up the impeachment attempt, the GOE managed to forge a slim congressional minority in coalition with the PRE, PRIAN, MPD, and independents. The basis for the coalition was an agreement to end the impeachment proceedings and

replace the corrupt and PSC/ID-controlled Supreme Court, Supreme Electoral Court, and Constitutional Court, taking advantage of a questionable interpretation of the constitution. Congress voted to do so on December 8, replacing the justices with others selected by Congress, and, specifically, by the PRE, PRIAN, and GOE. Gutierrez announced that the new Supreme Court was temporary, and that he would submit a constitutional reform package to create an independent supreme court.

17. (C) The new court was rejected by the opposition political parties, judicial workers, who went on strike, and many representatives of civil society. However, over the following four months repeated attempts to call the population into the streets in protest against what some were labeling "dictatorship," failed to be convincing. While middle class protestors did show up for major marches in Guayaquil in January and Quito in February, the bulk of the population of Ecuador seemed unmoved by what many clearly saw as a change in the ownership, but not the nature, of the judicial system. Congress, in the succeeding four months, has been unable to come to agreement on any formula for a independent court, and it is clear that many, if not all, political parties, are only interested in capturing the judicial system for themselves.

"Crazier than Ever"

18. (C) On March 31, the President of the Supreme Court annulled the criminal charges outstanding against former presidents of Ecuador Abdulla Bucaram and Gustavo Noboa, and former vice president Alberto Dajik. Over the next few days the three, all charged with various acts of corruption by the PSC-controlled criminal justice system, returned to the country. The returns of Dajik and Noboa raised only muted complaints about impunity. (The criminal process against Noboa for his role in negotiating a debt restructuring were, on their face, blatantly political and unfair; those against Dajik were too complex to make a clear determination.) However, Bucaram organized a political rally for his return at which he announced that he had come back "crazier than ever." (Bucaram's nickname has long been "El Loco," and Congress fittingly, if unconstitutionally, removed him from the Presidency in 1997 for mental illness.) He began immediately hinting broadly about his intent to run for the presidency again and his class-warfare and nationalist rants, in which he explicitly associated himself with Chaves, became ubiquitous on TV and radio.

19. (C) Bucaram's return quickly became the rallying cry for the opposition, especially among Quitenos, who have always felt particularly threatened by the crazy man from the coast. Still, protests mostly fell flat. Once again, we and others counseled Gutierrez to take advantage of his strengthened position and come to a negotiated settlement of the court issue. Once again, and probably the fault lies on both sides, no solution could be reached.

Pride Cometh Before a Fall

20. (C) The final act of the Gutierrez administration began with April 13's failed national strike. The Quito opposition, disappointed with all its previous attempts to force Gutierrez to back down on the court issue and Bucaram return, called an "indefinite nationwide strike" to try and finally force Gutierrez to relent.

21. (C) In the event, the strike was neither national nor indefinite in duration. Most of the country, including Guayaquil, refused to participate, and even in Quito the strike lasted only one day. Although small protests continued over the next few days, most significantly, including marches to the homes of GOE ministers and high officials, it was clear that Gutierrez had won again. Gutierrez and his spokespeople disregarded (again) the advice of many, including the Embassy, to refrain from gloating and take the opportunity to seek dialogue and compromise. Instead, once again, Gutierrez overreached.

22. (C) On the advice of his political inner circle, and without informing or consulting the cooler heads in his cabinet, Gutierrez declared a state of emergency, in part to prevent the forajidos from harassing the families of his ministers at home, and sought to placate the opposition by simultaneously removing the Supreme Court on the evening of Friday, April 15. The reaction was immediate. Radio La Luna began convoking the population to a popular demonstration site at a large park, and the middle class turned out by the thousands. The nights of April 15, 16, 17, and 18 all saw large crowds gathering at the park, calling for Gutierrez's overthrow. The crowds were mostly middle class, including women, old people, and children. Police sensibly kept their presence at these protests minimal, and no violence was reported.

123. (C) On Saturday, April 16, considering opposition from his Minister of Economy in Washington, Minister of Trade, and, most importantly, from MinDef Herrera and General Aguas, Gutierrez reversed course again, ending the state of emergency. At this time he made another attempt to reach agreement with the opposition on resolution of the court crisis, but the lack of trust between him and his opposition made meaningful negotiations impossible.

124. (C) Radio La Luna, as well as the protestors were clearly beginning to taste blood. The protest convoked for Tuesday, April 19 was to be different. The crowd would meet at a park in the center of town and proceed to the Presidential Palace to remove Gutierrez, physically, if necessary. The Government ginned up a display of support for itself, helping to bus in thousands of evangelical indigenous for their own protest in support of Gutierrez, but the indigenous sensibly got out of the way before the main event began.

125. (C) Police showed admirable restraint during the April 19 demonstrations, using large quantities of teargas to keep demonstrators from getting to the palace. Only one death resulted, that of a Chilean journalist who died of a heart attack, likely brought on by exposure to tear gas. Demonstrators failed to reach the palace.

The Bare-Chested Monkeys from the Coast

126. (C) Most of our contacts were suggesting on April 20 that, if that night's assault on the palace did not bring down the government a respite would be likely, as demonstrators were tired and becoming discouraged. Presidential brother-in-law Renan Borbua single-handedly kept temperaments from cooling. He got on TV the night of April 20 to announce that busloads of Gutierrez supporters would arrive in Quito from the coast the next morning to defend the constitution. Rumors spread throughout the city, fueled by Radio Luna which reported that the "bare-chested monkeys from the coast" were coming up with shotguns and machetes to put down the demonstrations. ID-connected mayor Paco Mancayo ordered city busses and heavy machinery to block the roads into the city and the forajidos, strongly reinforced by MPD and other thugs, began again the demonstrations, including attacks on various government buildings. When police opened the roads and traffic was allowed through, La Luna reported that the costeno thugs were being "escorted by the police" into the city, and that looting was taking place in the lower reaches of the city (as far as we know, no looting took place).

Police and Military Step Down, and Up

127. (C) Police Chief Jorge Poveda announced his resignation at mid-day on April 21, suggesting that he could no longer defend the regime. Police presence on the streets began to thin. Left with the prospect of facing the crowds themselves, the military high command decided the situation was no longer tenable and that they would withdraw support from Gutierrez. They considered installing a junta of civilians and called the Ambassador to make that proposal. She told them absolutely not. It would be a military coup, and suggested they go back to Gutierrez and try one more time to find a solution. At about noon, the military announced that it could no longer support Gutierrez. Congress voted shortly afterward to remove Gutierrez on the grounds that he had abandoned his position as constitutional president some four months previously when he acquiesced in Congress' own removal of the Supreme Court, thereby becoming a "dictator." All that was left was for Gutierrez to flee the President Palace, which he did shortly.

Conclusions

128. (U) This story obviously doesn't end here. In fact, it hasn't ended yet. But the story to date does allow one to draw certain conclusions about what happened and what did not happen in Ecuador. Among the most prominent are the following:

Ecuador Is Not Bolivia

129. (C) The indigenous played only a bit part in the fall of Gutierrez. Rather than a force to be reckoned with, the indigenous appear to have peaked in their political power and influence with the election of Gutierrez. They may well recover with time and again play an important role, but for the time being, they are a politically marginal force.

Ecuador Is Not Venezuela,
Though Chavez Will Seek to Exploit the Chaos

130. (C) Some analysts have attempted to draw parallels with Chavez, both for Gutierrez and for Palacio. Any similarities are superficial. With some success with the lower classes, Gutierrez portrayed his survival as a class struggle, with the corrupt political and economic elites fighting to regain absolute control. In fact, the change in government was very Ecuadorian in nature, and neither Gutierrez nor Palacio is in any real sense a Chavez figure. Although Radio La Luna, the indigenous, and the radicals such as the MPD have Venezuela connections, the overthrow of Gutierrez was mostly the making of the Quito middle class and business class, the ID and the PSC. In fact, the makeup of the demonstrations and the way in which the overthrow was carried out were both quite similar to the overthrow of Abdala Bucaram eight years ago. In the end, this was the middle class of Quito acting on its fear of the coastal rabble. Bucaram represented that coastal rabble in both overthrows, this time with his return, and the busloads of costenos may have been the most important trigger for immediate action.

The Old Politicos: Back in the Saddle Again

131. (C) Many of our contacts, life-long top notch conspiracy theorists, are concluding that the overthrow of Gutierrez was, in effect, orchestrated by the two major political parties, the ID and PSC, and especially by LFC and the Social Christians. While we do not see LFC pulling the strings behind Radio La Luna and the MPD trouble makers like some of them do, it is clear that the old politicians have been scheming, and Palacio with them, on and off throughout Gutierrez' presidency and constantly since mid-2004. It is also clear that they are the big winners, with Palacio appointing numerous ID and PSC-connected politicians to positions already (though some effort is being made to find people who do not have formal affiliations to any political party). That said, the gain may be temporary. The disgust felt by the forajidos, and their new-found sense of power, may manifest itself again if they feel they have ousted Gutierrez only to bring the old politicians back to power.

The Sad, Sad Story of Ecuador

132. (C) In the final analysis, the overthrow of Gutierrez is nothing more than the end of one more political cycle in Ecuador. Presidents of Ecuador are elected to be overthrown, and the great majority of them meet that fate. Since government officials enter office knowing that they will be there for a very short time, and then might well be forced into exile, it should surprise no one (and certainly no Ecuadorian is ever surprised by this) that most of them steal everything they can get their hands on while they are in power. Most political parties in Ecuador have no recognizable or consistent political philosophy, and those which do, are consistently leftist. Parties, rather, exist to distribute patronage. Ecuador, a country rich in natural resources, will remain desperately poor until and unless it can break out of its self destructive cycles of political cannibalism.

KENNEY